Policy for

Social Compliance

Content

1. Introduction

Respect for human rights is one of the fundamental values of METRO, as formalised in our Human Rights Policy. We pledge to respect all human rights, as set out in the United Nations Universal Declaration of Human Rights, the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). Despite the fact that in many countries, human rights and basic labour and social standards as referred to in the above-mentioned documents are not implemented or enforced consistently by the relevant national governments in spite of their ratification, METRO as a global wholesale company contributes to complying with those values. When conducting its business, METRO strives to operate in accordance with the highest ethical and social business standards. Our products must be produced under humane conditions with respect and fairness towards workers, taking labour law, safety provisions and international trade regulations into account.

To ensure compliance with fundamental social principles, METRO was involved in founding the Business Social Compliance Initiative (BSCI)[1] in 2004. Additionally, our participation in the UN Global Compact since 2010 aims to further strengthen our commitment to improving social standards in producing countries. Since 2012, METRO has endorsed and valued the UN Guiding Principles on Business and Human Rights, which have also been endorsed by amfori BSCI since 2014. To tackle the specific risks resulting from unsafe factory building conditions in Bangladesh, METRO joined the Accord on Fire and Building Safety in Bangladesh in 2013 and the Bangladesh Accord 2.0 in 2018 to ensure adequate fire and building safety standards specifically in the Bangladesh apparel industry. To reinforce our principle of fighting against forced labour, since 2016 METRO has been supporting the Consumer Goods Forum (CGF) resolution against forced labour as well as the CGF's Priority Industry Principles[2].

METRO supports the United Nations Sustainable Development Goals (SDGs) and, with its commitment to sustainability, strives to achieve the global agenda. By striving for compliance with social standards, METRO is working towards the following goals in particular:

- SDG 1 (No poverty)
- SDG 8 (Decent work and economic growth)
- SDG 12 (Responsible consumption and production)

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[1] Start of membership in 2003. Name changed to amfori BSCI in January 2018.
[2] Every worker should have freedom of movement. No worker should pay for a job. No worker should be indebted or coerced to work.

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In this respect, METRO also declares its ambition to work towards the paramount issue of ensuring a living income for those who manufacture goods for METRO's own-brand/no-name supply chains. Whilst various methodologies are acceptable when defining a living income, METRO gives preference to the Anker methodology where possible.

2. Objective

Corporate responsibility is an integral part of the METRO strategy. In order to exercise our responsibility, transparency and compliance with social standards are absolutely essential to us.

METRO's objective is to improve the working conditions in its supply chains. METRO is committed to evaluating its suppliers and helping them to introduce better working conditions at their production sites by utilising the amfori BSCI process management scheme or equivalent systems.

This policy aims to describe the process for managing social standards in the non-food, food and near-food supply chain.

3. Scope

The Policy for Social Compliance applies within the following scopes:

Operational scope
All METRO operations in all countries, including International Trading Offices, Rungis Express, Classic Fine Foods and Pro à Pro (for these operations and certain country operations, alternative timelines may apply).

Brand scope
All METRO non-food/food/near-food own-brand (private-label) and no-name products purchased and sold by METRO manufactured by risky producers. Subsequently, all tiers will be included.
"Risky" means the producer is either located in a risk country[3] or is defined risky[4] based on other inherent characteristics of the product or sector or recent violations that have become apparent. In addition, we will also work with producer brands,

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[3] Defined by amfori BSCI – see description and list here: https://responsibility.metroag.de/focus-areas/human-rights
[4] Definition see here https://responsibility.metroag.de/focus-areas/human-rights

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industry partners and other stakeholders on systematic changes towards social compliance in our supply chain.

Definitions:

- Own Brand: An article/product that carries a registered METRO brand
- No-name brand: Products not bearing a METRO brand but with METRO address. This also includes all in-house produced products and all products sold via counter and labelled with Metro address.
- (Producer Brand: Any product labelled with a supplier brand)

Product scope

All METRO non-food/food/near-food products.

4. Targets

The overall target is to provide evidence of socially compliant supply chains according to this policy in line with the SDGs by 2030. All producers under the scope must comply with the following targets:

4.1 Non-food

(1)   Since 2016, full transparency concerning all producers under the scope (limited to Tier 1); all producers under the scope must also be audited in accordance with the amfori BSCI or Sedex standard or another accepted standard[5]

(2)   Since January 2019 only audit reports with at least a 'C' result (or equivalent) have been accepted[6]. Suppliers/producers with audit results below 'C' will be suspended or not listed.

(3)   By 2030, all producers from all tiers under the scope must be audited in accordance with accepted standards

4.2 Food/near-food

The roll-out of the Social Standards Compliance Process at METRO began in 2019. Based on a risk assessment and the maturity of sales lines/country organisations, the roll-out will take place gradually. Respective details and more specific timelines are outlined in section 7 (Action plan).

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[5] For other accepted standards, see Annex 1.

[6] Referring to the amfori BSCI scoring and comparable scores of other audit standards.

All producers under the scope must comply with the following targets:

(1) By 2030, full transparency of 100% of suppliers and their respective producers under the scope
(2) By 2030, all producers of suppliers referred to in (1) under the scope must be audited in accordance with the amfori BSCI or Sedex standard or another accepted standard

5. Principles

(1) Each sales line/country organisation is responsible for the achievement of the targets defined in this policy
(2) In order to manage the process behind the objective of this policy, sales lines/country organisations shall use METRO's IT tool SSM (Social Standards Management) or METRO Sourcing's MBS with the support of the METRO AG CR department. The on-boarding of the sales lines'/country organisations' users will be conducted by the METRO AG CR department.
(3) METRO's sales lines/country organisations must ensure that the latest version of the METRO own-brand contract is used for new business relationships and for each renegotiation with existing suppliers
(4) Where applicable and suitable, the sales lines/country organisations are expected to include social compliance requirements in their processes – e.g. adding a paragraph regarding social compliance into all requirement profiles (RP). This paragraph shall require the business partner to implement measures to ensure compliance with this policy for all high-risk producers used.
(5) The sales lines/country organisations endorse and promote the importance of social standards in their regular negotiations with suppliers and incorporate the requirements into their daily business

6. Reporting

METRO will make this policy publicly available. The sales lines/country organisations can retrieve reports at any time via the IT tools used (SSM and MBS).

The progress in achieving the targets will be measured based on the following key performance indicators (KPIs):

- Number of active own-brand/no-name suppliers
- Number of risky producers to suppliers described in 4.1 and 4.2

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- Number of audited producers described in 4.1 and 4.2 including audit result, i.e. 'passed' or 'failed'[7]

This will be reported in the annual METRO Corporate Responsibility Report sorted by product scope.

7. Action plan

METRO's Social Standards Policy is supported by this action plan, which outlines more details in order to achieve this policy's objective and target. The action plan consists of 3 pillars (certifications, partnerships and projects) to ensure relevant actions with the right partners. Each sales line/country organisation will be involved in one of the roll-out waves introduced by the METRO AG CR department and will develop their country-specific road map according to the details outlined in this policy and action plan, particularly in section 7.1 (Action plan: Process).

7.1 Process

To achieve the objective and targets of this policy, METRO refers to various social compliance schemes. The list of accepted standards and certifications (see Annex 1) is a living document and will be updated according to new insights and benchmarks (e.g. SSCI benchmark).

METRO has established a general process for how to work with these social compliance schemes. In general, the social compliance process comprises the following steps:
1. Disclosure of relevant data[8], to be checked and maintained on a quarterly basis
2. Risk assessment in order to define the gradual roll-out of this process
3. Training of producers within the scope of this policy – if necessary and suitable
4. Proof of social compliance through audit/certification

7.2 Roll-out plan

METRO as a wholesale company offers a wide range of products and operates in various markets and complex supply chains. Not all commodities and tiers are equally critical, though, with regard to social standards challenges, and not all markets are at the same level of maturity when it comes to social compliance. METRO is therefore following a gradual roll-out plan in realising this policy's objective and target based

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[7] Definition of 'passed' refers to Annex 1: details of audit results. Any audit not 'passed' is considered 'failed'.
[8] Mainly company name, address, contact person of supplier/producer under the scope, responsible METRO employee and category as well as audit type.

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on an individual road map developed by each METRO sales line/country organisation. The road map implementation should be completed within 3 years after the on-boarding of the respective METRO sales line/country organisation, targeting 100% social compliance of the respective supply chain by 2030 at the latest.

7.3 Partnerships

METRO is working actively on the implementation of the Policy for Social Compliance together with different stakeholders in the value chain. Below is a sample of key partnerships.

amfori BSCI
METRO was one of the founding members of the Business Social Compliance Initiative (BSCI)[9] in 2004. Since then we have been actively working with amfori BSCI. We are part of the amfori Board and engage in initiatives such as the German amfori network and the project group on capacity building.

Sedex
METRO has been a member of Sedex since June 2019 and actively works with this collaborative platform for sharing responsible sourcing data on supply chains.

Consumer Goods Forum (CGF)
METRO is involved in board and/or committee functions within the CGF in order to closely engage with this global platform of our core peers. We support the work of CGF's Social Supply Chain Initiative (SSCI) on introducing a benchmark for social compliance schemes. To reinforce its principle of fighting against forced labour, METRO joined the Consumer Goods Forum's resolution against forced labour in 2016. We also support the CGF's Priority Industry Principles.

Retailer Cocoa Collaboration (RCC)
METRO is a member of the Retailer Cocoa Collaboration (set up in 2018). This is a group of retailers with a clear focus on improving the working conditions in cocoa-producing countries.

7.4 Projects

METRO focuses on projects together with suppliers, NGOs, organisations and other wholesalers or retailers, which will help to ensure the social compliance of workers in

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[9] Start of membership in 2003.

the supply chain. The projects listed below serve as an example of these efforts. New projects may start and current projects may conclude over time.

<u>amfori BSCI – METRO training on Human Rights Due Diligence (HRDD) with a focus on forced labour</u>
METRO employee training on the topic of HRDD with a focus on forced labour, co-created with amfori BSCI.

<u>Training sessions</u>
METRO's trading offices METRO SOURCING Hong Kong and METRO Food Sourcing as well as local METRO entities work with local producers and support them through training sessions designed to help understand and comply with social standards. Besides a focus on fire and occupational safety measures, other targeted corporate responsibility training sessions are held with cooperation partners.

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Annex 1: Acknowledged social standards

The most up to date list of acknowledged social standards is to be found on [METRO AG website](). Currently the status is as follows:

As amfori BSCI and Sedex member, METRO prefers the amfori BSCI and Sedex SMETA scheme, but also accepts the schemes listed below on condition that

1. the audit report / certificate is valid (not expired) and
2. the audit is passed as per the details listed below.

Some of the listed standards are considered as acceptable for an interim period of time in order to facilitate the roll-out in a practical manner but may be removed from this list according to the maturity of the process roll-out.

Non-Food / Food / Near-Food	Audit Type	Audit "passed" when audit result shows the following:	Report Validity[10]
All	**amfori BSCI** - amfori Business Social Compliance Initiative	A	24 months
		B	24 months
		C	12 months
		D (only accepted for Food/Near Food)	12 months
		E (only accepted for Food/Near Food and in exceptional cases[11])	12 months
All	**SPA** – Small Producer / Holder Assessment (by amfori BSCI)	A	24 months
		B	24 months
		C	12 months
		D (only accepted for Food/Near Food)	12 months
		E (only accepted for Food/Near Food and in exceptional cases*)	12 months
All	**ETI/SMETA** - Sedex Members Ethical Trade Audit (4-Pillar Audit conducted by accredited third party auditor)	Non Critical Critical	24 months 12 months
All	**SA8000** - Social Accountability International	Issued Certificate	36 months

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[10] Report validity according to standard scheme owner. In case of changes the official timelines are valid.

[11] exceptional cases mean findings that accumulate to a level of severity that are comparable to a Deal breaker finding

Non-Food	**ICTI** - International Council of Toy Industry	Issued Certificate (Class A)	12 months
All	**ICS** - Initiative Clause Sociale	Issued report with Rating A or Rating B (no failing in critical areas)	12 months
Non-Food	**RBA – Responsible Business Association** (formerly EICC - Electronic Industry Citizenship Coalition)	Issued `Validated Audit Process´ (VAP) report with overall audit scoring in 'Green' colour with no 'Major' or 'Priority' findings. Also no major change occurs in audited site within validity of report	24 months
All	**FLA** - Fair Labour Association	Full report proving all CAP findings are completed & settled	12 months
Food	**ASC** (Aquaculture Stewardship Council)	Issued Certificate and CAP	12 months / Every 3 years main assessment
Food	**BAP** (Best Aquaculture Practices)	Issued Certificate and CAP Critical / Major / Minor Non-Conformities (All 4 stars accepted as a first step)	12 months (except salmon – 24 months)
Food	**RSPO** (Roundtable for sustainable palm oil)	Issued Certificate according to Mass Balance Segregation Identity Preserved	12 months / Every 5 years main assessment
Food	**Global G.A.P. GRASP**	Issued Certificate Compliant / Improvements needed / Non-compliant but steps taken	12 months
Food	**RTRS** (Roundtable for responsible soy)	Issued Certificate according to Mass Balance Segregation Identity Preserved	5 years / annual checks
Food	**Fair Trade**	Issued Certificate Pass	4 years / renewal starts after 3 years)
Food	**Rainforest Alliance / UTZ**	Issued Certificate Compliant	12 months
Food	**Fair for life (FFL)**	Issued Certificate Pass	12 months / Every 3 years main assessment

Food	And any CGF SSCI benchmarked schemes	Depending on scheme	Depending on scheme

Annex 2: METRO 'deal breakers'

As a risk mitigation tool, METRO has defined specific issues which serve as a precursor to labour violations and created a process to ensure that suppliers actively improve their producers' working conditions.

METRO requests immediate improvements for specific findings related to the following areas:

1. Child labour
2. Forced labour
3. Fire safety failings (leading to imminent and significant danger)
4. Unethical behaviour

Suppliers and/or producers are to be deactivated/suspended immediately from a supply chain for further own-brand/no-name orders until a corrective action plan and/or new audit report shows proof of improvements for the respective producer.

The described deal-breaker process shall also be applied in any equivalent deal-breaker case which comes to light involving any branded supplier and their respective producers.